Media Release

FOR IMMEDIATE RELEASE

Flat New Zealand reverse mortgage market could mean Baby Boomers miss out on a retirement opportunity

25 August 2014: Deloitte Australia's Actuaries & Consultants released its seventh comprehensive study of the New Zealand reverse mortgage sector today.

Supported by New Zealand's Safe Home Equity Release Plans Association (SHERPA), the study found New Zealand's reverse mortgage market comprised 5,300 loans, with a total book of $444 million as at 31 December 2013, compared with 6613 loans valued at $447m four years previously.

Deloitte Partner Financial Services James Hickey said: "The New Zealand reverse mortgage market is stagnant, and has been for some time. Unfortunately, this presents a very real risk that New Zealand seniors are in danger of missing out on the opportunity to live a more comfortable retirement, at home."

Hickey compares using a reverse mortgage to other more traditional forms of releasing equity, such as downsizing: "While downsizing is perhaps the obvious option to release money in the home, for many retirees it is too great an emotional and social upheaval to just sell the family home and move to a different location. Having an option to live in their home for longer, but being able to tap into the equity in the property via a reverse mortgage, could be much more preferable for such retirees. Kiwi Baby Boomers need all available options if they are to secure a financially comfortable retirement."

Rob Dowler, Executive Director of SHERPA said: "The market size is on a par with pre-GFC levels, while the size of each borrowing has increased the number of both borrowers and settlements is significantly down. This is largely due to fewer lenders offering the product for sale."

"However things are beginning to change. At SHERPA we are fielding more interest in the product from potential borrowers and lenders. As the drag on growth caused by uncertain and pressured global business environment begins to ease, we think the home equity release market will pick up along with the need for new business opportunities."

Summary of the key findings:

	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13
Outstanding Market Size	$365m	$430m	$447m	$469m	$474m	$463m	$444m
Number of Loans	6549	6878	6613	6484	6186	5728	5338
Average Loan Size	$55,745	$62,516	$67,667	$72,366	$76,556	$80,781	$83,229
Settlements	$106m	$36m	$16m	$18m	$14m	$13m	$8m
Facility (settlements)	$201m	$37m	$16m	$19m	$14m	$16m	$13m
Additional Drawdowns	$28m	$18m	$15m	$13m	$10m	$8m	$5m
Discharges	$(26)m	$(36)m	$(47)m	$(42)m	$(56)m	$(63)m	$(61)m

James Hickey said: "Total repayments, both full and partial, this year are 14% p.a. of outstanding loans, with the majority due to voluntary repayment and sale of property.

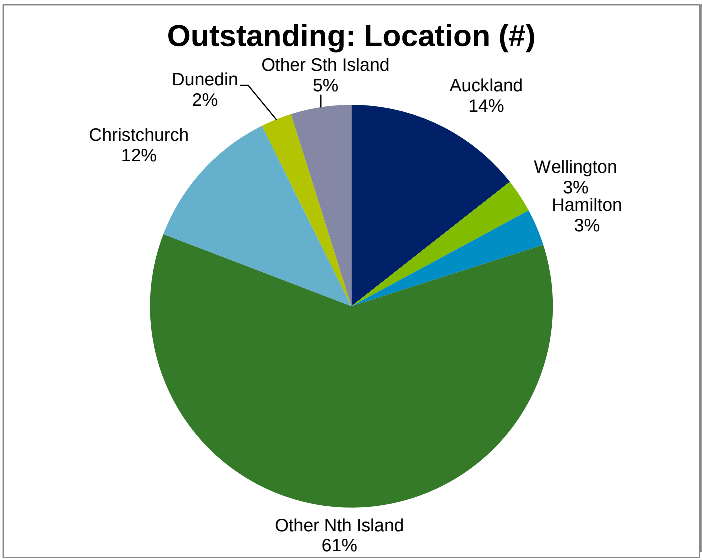
“This shows that a reverse mortgage is not a ‘set and forget’ product but it is actively used by its borrowers to primarily fund the first stage of their retirement.”

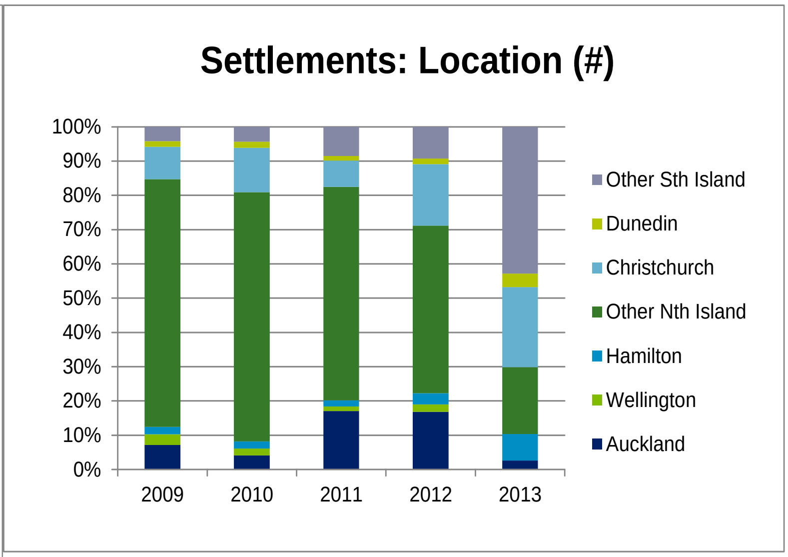
The majority of borrowers in New Zealand are couples (more than half), borrowing around $10k more than their single counterparts. And dispelling the myth that the product is only for very old retirees, many new borrowers are “younger retirees” between the ages of 65-74.

Hickey said: “The top use for a reverse mortgages remains debt repayment, which is almost double that of the previous year, followed by home improvement and travel. These are positive responses and show that the product can really add value to retirees when used responsibly and supported by appropriate advice.”

Use	2012	2013
Debt repayment	14%	22%
Home Improvement	20%	18%
Travel	11%	10%
Car	10%	7%
Aged care purposes	7%	5%
Gifts	3%	3%
Other/Unassigned	35%	35%

Dowler added: “The North Island has the highest number of reverse mortgages at 81% with Auckland the major location (14%). This is up by 20% since the 2010 report when the South Island had a 39% share, now down to 19%. Two thirds of the loans - 66% - are outside the major metropolitan areas, especially in the North Island.





Deloitte thanks all industry participants who responded to the survey, acknowledging the support of

SHERPA (the Safe Home Equity Release Plans Association) in helping facilitate the survey in New Zealand.

For more information on SHERPA and SHERPA member industry participants go to www.sherpa.org.nz

NB: See our media releases and research at www.deloitte.com.au

For further information:

New Zealand enquiries contact:

Rob Dowler
Executive Director SHERPA
Mob: +64 800 000 207
Tel: +64 (9) 486 7549
rob.dowler@sherpa.org.nz

Matt Huntington, Senior Manager
Communications, Deloitte New Zealand
Tel: +64 (4) 470 3771
Mob: +64 (21) 812 210
mhuntington@deloitte.co.nz

James Hickey
Partner, Actuaries & Consultants
Deloitte
Tel: +612 9322 5009
jahickey@deloitte.com.au>

Louise Denver
Director, Corporate Affairs & Communications
Mobile: +61 414 26 7676
Tel: +612 9322 7615
ldenver@deloitte.com.au

About SHERPA

The Safe Home Equity Release Plans Association (SHERPA) is a not for profit unincorporated association supported by New Zealand's leading providers and distributors of Home Equity Release Plans. Membership of SHERPA is open to all providers of Home Equity Release products in New Zealand who have pledged to observe the SHERPA Code of Practice. SHERPA is dedicated entirely to the protection of plan-holders and the promotion of safe home equity release plans. Current members of SHERPA are Bluestone Equity Release New Zealand Ltd and Sentinel Ltd.

About Deloitte in New Zealand

Deloitte New Zealand brings together more than 1000 specialist professionals providing audit, tax, technology and systems, strategy and performance improvement, risk management, corporate finance, business recovery, forensic and accounting services. Our people are based in Auckland, Hamilton, Rotorua, Wellington, Christchurch and Dunedin, serving clients that range from New Zealand's largest companies and public sector organisations to smaller businesses with ambition to grow.

Deloitte provides audit, tax, consulting and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence. For more information about Deloitte in New Zealand, go to our website www.deloitte.co.nz.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/nz/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its member firms